APPENDIX C

Testimony of Stuart T. Saunders, Chairman of the Board of Directors, Pennsylvania Railroad Company, in I.C.C. Finance Docket 21989, November 16, 1966, Tr. 21009-21011:

This merger has been pending before the Commission for almost five years, and, of course, the negotiations between the parties took place before then, so this merger having been pending before the Commission for over 5 years—it will be five years in March of this year—has created tremendous problems, and it is only with the greatest difficulty we have been able to hold this merger together, and I say to you, frankly, and sincerely, that we cannot go on with indefinite delays of this merger.

It is simply impossible to operate these properties in suspense this way. There are so many decisions that have to be made, so many problems that we have, if this merger is delayed for any substantial period of time—or indefinitely, whichever way you want to take it, the merger is going to collapse.

And this is true for a number of reasons.

In the first place, take the matter of personnel. We have attrition rate of over 5,000 people a year on these combined systems. We don't know what to do in many cases about filling these jobs.

There is no necessity for it if the merger goes through, and this runs from the top to the bottom of these railroads.

There is no use in us making a certain man a vice president today and tomorrow he is a vice president, but he hasn't got vice presidential duties, we haven't got that kind of work for him to do.

This runs as I say all through the railroad. Moreover, it creates personnel problems and morale problems in another direction, in that people—we have had people on this railroad now for five years—apparently still don't know when this merger is going to become effective, and they don't know what their jobs are being to be. They don't know where they are going to live and they don't know where they are going to work.

If you can imagine a more demoralizing effect upon employment, or the efficiencies of your employees, and upon the efficiency of your organization, I would like you to name it. It has a tremendous impact.

The Railroads, these railroads, simply cannot be operated at anything approaching top-notch efficiency with a cloud of this sort hanging over its future.

Then, we have the matter of capital expenditures. We have had our capital expenditure programs more or less in suspense for five years.

Of course, there are a lot of programs and expenditures we have to make, we know that regardless of whether the merger is consummated. But there are expenditures and programs expenditures running into millions, and over this period, hundreds of millions of dollars, that we don't know whether to make them or not. They could achieve great savings for us, and for the merged system.

But we don't know whether to make these savings. For instance, we have yards that we are holding back on the improvement, because if the merger goes through, we wouldn't have to make those expenditures.

There are any number of projects of that sort. So, when you take into account the problems that are created by indefinite delay, and as I say five years is almost back-breaking, but we simply cannot stand indeterminable delay such

as is being brought about by the tactics of the Norfolk and Western Railroad in this procedure; everywhere I go, or everywhere we go, we find the court rooms and the hearing rooms filled with lawyers, and expert witnesses, consultants and college presidents, of the Norfolk and Western Railroad, all designed to do nothing but kill the Penn-Central merger, and Eastern Railroad merger movement, or to dictate the terms, and, as I stated before, on which the Eastern Railroads are going to be re-structured.